

# India’s Supreme Court scraps electoral bonds, calls them ‘unconstitutional’

*Election funding system was challenged by the opposition and activists on grounds that it hindered people’s right to know who gives money to parties.*



The Supreme Court of India, New Delhi [File: Nasir Kachroo/NurPhoto via Getty Images]

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India’s Supreme Court has scrapped a seven-year-old election funding system, called [“electoral bonds”](#), that allows individuals and companies to donate money to political parties anonymously and without any limits.

Coming nearly two months before the general election, Thursday’s decision is being seen as a setback for Prime Minister Narendra Modi’s Bharatiya Janata Party (BJP), which has been the largest beneficiary of the system it introduced in 2017.

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The secretive election funding system was challenged by the opposition parties and a civil society group on the grounds that it hindered the public's right to know who had given money to political parties.

A five-judge top court bench headed by Chief Justice DY Chandrachud on Thursday said the system is “unconstitutional” and directed the state-run State Bank of India (SBI) to not issue any more of these bonds, to furnish identity details of those who bought them, and to provide information about bonds redeemed by each political party.

“Political contributions give a seat at the table to the contributor ... this access also translates into influence over policy-making,” Chandrachud said.

## ‘Extra layer of opacity’

For years, critics condemned India's election campaign financing method as an opaque way to funnel “black money” to parties.

But Modi's government defended the policy, saying it mitigates the use of cash or “black money” in political funding, allowing donors a confidential channel to contribute to any party's funds.

Undeclared individuals and companies bought such bonds worth 165.18 billion rupees (\$1.99bn) up to November 2023, according to the Association for Democratic Reforms (ADR), a non-government transparency watchdog working on election funding in India.

ADR calculates that more than half of all donations received by political parties used the scheme. It said between 2018 and March 2022, nearly 57 percent of these donations went to the BJP. In comparison, the opposition Indian National Congress party received only 10 percent.

Jagdeep Chhokar from the ADR, which had challenged the scheme in the top court, said the ruling would help end political “mischief”.

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that the bond system had added an extra layer of opacity .

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Anjali Bhardwaj, co-convener of National Campaign for People's Right to Information, told Al Jazeera the judgment is significant for democracy.

“It addresses squarely the issue of people's right to know who is funding political parties,” she said, adding that it also “recognises the fact that the stranglehold on policy and governance is achieved by big money through an opaque funding system of political parties”.

“Big corporations [were] funding the parties and then negotiating what is in their favor through a quid pro quo. That was a blow to democracy.”

## How did electoral bonds work?

Under the system, a person or company could buy these bonds from SBI in denominations ranging from 1,000 rupees (\$12) to 10 million rupees (\$120,000) and donate them to a political party of their choice.

The bonds – first sold in early 2018 – were then delivered to the party which can exchange them for cash. The bonds, which were exempt from tax, did not carry the name of the donor. Cash donations are still allowed for elections, but carry no tax exemption.

Since their introduction, electoral bonds had become a key method of political funding. While the donors were technically anonymous, critics feared the government could access data through the state-owned SBI.

Because of the close nexus between money and politics, it is possible that financial contributions “would lead to quid pro quo arrangements”, the court said as it reinstated corporate donation limits, saying that treating companies and individuals alike for this



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“The ability of a company to influence the electoral process through political contributions is much higher when compared to that of an individual ... contributions made by companies are purely business transactions made with the intent of securing benefits in return,” said the top court’s order.

Calling the court’s ruling landmark, transparency campaigner Lokesh Batra said it will impact the general election, due by May.

“They [political parties] must have already made huge money ahead of the election, but they would have made 10 times more money in the coming days. So that sale has been stopped.”

SOURCE: AL JAZEERA AND NEWS AGENCIES

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